

Message Text

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PAGE 01 CANBER 05450 030735Z

ACTION EA-09

INFO OCT-01 ISO-00 EUR-12 ABF-01 FS-01 OPR-02 PER-01
A-01 TRSE-00 CU-02 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 SP-02 LAB-04
SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 L-03
H-01 PA-01 PRS-01 DODE-00 NSCE-00 SSO-00 USIE-00
INRE-00 /097 W

-----057705 030753Z /17

O R 030710Z AUG 77

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC IMMEDIATE 1038

INFO AMCONSUL MELBOURNE

AMEMBASSY PARIS

AMCONSUL SYDNEY

AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

AMCONSUL BRISBANE

AMCONSUL PERTH

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USOECD

E.O. 11652: N/A

TAGS: EALR, EFIN, AS, ALLOW

SUBJECT: RESERVE BANK ANNOUNCES 1.5 PERCENT DEVALUATION OF
AUSTRALIAN DOLLAR AGAINST "BASKET" OF CURRENCIES

REF: (A) CANBERRA A-31 (NOTAL), (B) 76 CANBERRA 8603,
(C) 76 CANBERRA 8583 (NOTAL)

1. BEFORE OPENING OF BUSINESS ON AUGUST 3 RESERVE BANK OF
AUSTRALIA ANNOUNCED THAT "TRADE-WEIGHTED INDEX OF VALUE
OF AUSTRALIAN DOLLAR HAS TODAY BEEN VARIED FROM 92.5 TO
91.1 (MAY 1970 EQUAL 100). THIS REPRESENTS A DEVALUATION
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PAGE 02 CANBER 05450 030735Z

AGAINST THE "BASKET" OF APPROXIMATELY 1.5 PERCENT. THE
MIDDLE RATE FOR THE AUSTRALIAN DOLLAR IN TERMS OF THE
U.S. DOLLAR TODAY IS: \$A 1 EQUAL US \$1.1053." AS MIDDLE
RATE OF US\$ ON AUGUST 2 WAS 1.1211, TODAY'S DEVALUATION
AGAINST US\$ REPRESENTS 1.41 PERCENT.

2. ACCORDING TO TREASURY OFFICIALS, NET DEVALUATION

OF AUSTRALIAN DOLLAR SINCE NOVEMBER 28, 1976 IS NOW
13.53 PERCENT. BASED ON TODAY'S RATE, NET DEVALUATION
AGAINST U.S. DOLLAR SINCE NOVEMBER 76 IS 10.35 PERCENT.

3. THIS FIRST CHANGE IN VALUE OF "BASKET" OF CURRENCIES
SINCE SERIES OF UPWARD SHIFTS IN DECEMBER 1976 CULMINATED
IN 0.25 PERCENT REVALUATION ANNOUNCED FEBRUARY 18 (REF A).
DEPT WILL RECALL THAT IN ANNOUNCING 17.5 PERCENT
DEVALUATION ON NOVEMBER 28, 1976, TREASURER LYNCH
ANNOUNCED THAT \$A WOULD NO LONGER BE PEGGED TO TRADE-
WEIGHTED "BASKET" OF CURRENCIES AS HAD BEEN THE CASE
SINCE SEPTEMBER 1974, BUT THAT THE LEVEL OF THE EXCHANGE
RATE WOULD BE "KEPT UNDER REVIEW, AND THE GOVERNMENT
WOULD, IN EFFECT, BE ADOPTING A FLEXIBLY ADMINISTERED
RATE, SOMEWHAT ALONG THE LINES OF A MANAGED FLOAT."
GOVERNMENT FORECAST "MORE FREQUENT AND SMALLER SHIFTS"
IN RELATIONSHIP OF \$A TO "BASKET." A THREE MAN GROUP
CONSISTING OF GOVERNOR OF RESERVE BANK, SECRETARY OF THE
TREASURY AND SECRETARY OF DEPARTMENT OF PRIME MINISTER
AND CABINET, ASSIGNED TASK OF KEEPING LEVEL OF EXCHANGE
RATE UNDER REVIEW (REFS B AND C)

4. COMMENT: TODAY'S MOVE HARDLY SURPRISING IN VIEW
RECENT WORSENING OF AUSTRALIAN RESERVE POSITION, RECENT
DOWNWARD VALUATION OF US\$ AND STRENGTHENING OF YEN
WITHIN BASKET AND NEW RASH OF RUMORS OF POSSIBLE
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PAGE 03 CANBER 05450 030735Z

SIGNIFICANT DEVALUATION. TIME WILL TELL WHETHER
TODAY'S ACTION IS EITHER EFFORT DESIGNED Dampen
SPECULATION BY DEMONSTRATING GOVERNMENT'S WILL TO MOVE
RATE BOTH UP AND DOWN BY SMALL AMOUNTS AS PROMISED IN
NOVEMBER, FIRST IN SERIES OF SMALL DOWNWARD
MOVES, OR A COMBINATION OF BOTH. WE INCLINED THINK
THAT WHILE IT MAY INITIALLY HAVE BEEN DESIGNED CHIEFLY
TO Dampen SPECULATION, TROIKA MAY INCREASINGLY FEEL
COMPELLED MAKE FURTHER DOWNWARD ADJUSTMENTS. ALSTON

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Message Attributes

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Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Event:
Disposition History: n/a
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